

FIRSTENERGY CORP  
Form 10-Q  
August 06, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
333-21011	FIRSTENERGY CORP. (An Ohio Corporation) 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	34-1843785
000-53742	FIRSTENERGY SOLUTIONS CORP. (An Ohio Corporation) c/o FirstEnergy Corp. 76 South Main Street Akron, OH 44308 Telephone (800)736-3402	31-1560186

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No  FirstEnergy Corp. and FirstEnergy Solutions Corp.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No  FirstEnergy Corp. and FirstEnergy Solutions Corp.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  FirstEnergy Corp.

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Accelerated Filer  N/A

Non-accelerated Filer (Do not check if a smaller reporting company)  FirstEnergy Solutions Corp.

Smaller Reporting Company  N/A

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No  FirstEnergy Corp. and FirstEnergy Solutions Corp.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

CLASS	OUTSTANDING AS OF AUGUST 5, 2013
FirstEnergy Corp., \$0.10 par value	418,216,437
FirstEnergy Solutions Corp., no par value	7

FirstEnergy Corp. is the sole holder of FirstEnergy Solutions Corp. common stock.

This combined Form 10-Q is separately filed by FirstEnergy Corp. and FirstEnergy Solutions Corp. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to the other registrant, except that information relating to FirstEnergy Solutions Corp. is also attributed to FirstEnergy Corp.

FirstEnergy Web Site and Other Social Media Sites and Applications

Each of the registrants' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are also made available free of charge on or through the "Investors" page of FirstEnergy's Internet web site at [www.firstenergycorp.com](http://www.firstenergycorp.com).

These SEC filings are posted on the web site as soon as reasonably practicable after they are electronically filed with the SEC. Additionally, the registrants routinely post additional important information including press releases, investor presentations and notices of upcoming events, under the "Investors" section of FirstEnergy's Internet web site and recognize FirstEnergy's Internet web site as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under SEC Regulation FD. Investors may be notified of postings to the web site by signing up for email alerts and RSS feeds on the "Investors" page of FirstEnergy's Internet web site or through push alerts from FirstEnergy Investor Relations apps for Apple Inc.'s iPad and iPhone devices, which can be installed for free at the Apple online store. FirstEnergy also uses Twitter and Facebook as an additional channel of distribution to reach public investors and as a supplemental means of disclosing material non-public information for complying with its disclosure obligations under SEC Regulation FD. Information contained on FirstEnergy's Internet web site or its Twitter or Facebook site, and any corresponding applications of those sites, shall not be deemed incorporated into, or to be part of, this report.

**OMISSION OF CERTAIN INFORMATION**

FirstEnergy Solutions Corp. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) to Form 10-Q.

Forward-Looking Statements: This Form 10-Q includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intents, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "potential," "expect," "believe," "estimate" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Actual results may differ materially due to:

• The speed and nature of increased competition in the electric utility industry, in general, and the retail sales market in particular.

• The impact of the regulatory process on the pending matters before FERC and in the various states in which we do business including, but not limited to, matters related to rates and pending rate cases.

• The uncertainties of various cost recovery and cost allocation issues resulting from ATSI's realignment into PJM.

• Economic or weather conditions affecting future sales and margins.

• Regulatory outcomes associated with storms, including but not limited to Hurricane Sandy, Hurricane Irene and the October snowstorm of 2011.

• Changing energy, capacity and commodity market prices including, but not limited to, coal, natural gas and oil, and availability and their impact on retail margins.

• The continued ability of our regulated utilities to recover their costs.

• Costs being higher than anticipated and the success of our policies to control costs and to mitigate low energy, capacity and market prices.

• Other legislative and regulatory changes, and revised environmental requirements, including possible GHG emission, water discharge, water intake and coal combustion residual regulations, the potential impacts of CSAPR, CAIR, and/or any laws, rules or regulations that ultimately replace CAIR, and the effects of the EPA's MATS rules including our estimated costs of compliance.

• The uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any litigation, including NSR litigation or potential regulatory initiatives or rulemakings (including that such expenditures could result in our decision to deactivate or idle certain generating units).

• The uncertainties associated with the deactivation of certain older regulated and competitive fossil units including the decision to deactivate the Hatfield's Ferry and Mitchell Power Stations, the impact on vendor commitments, and the timing thereof as they relate to, among other things, RMR arrangements and the reliability of the transmission grid.

• Adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to the revocation or non-renewal of necessary licenses, approvals or operating permits by the NRC or as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant).

• Adverse legal decisions and outcomes related to ME's and PN's ability to recover certain transmission costs through their TSC riders.

• The impact of future changes to the operational status or availability of our generating units.

• The risks and uncertainties associated with litigation, arbitration, mediation and like proceedings, including, but not limited to, any such proceedings related to vendor commitments.

• Replacement power costs being higher than anticipated or inadequately hedged.

• The ability to comply with applicable state and federal reliability standards and energy efficiency and peak demand reduction mandates.

• Changes in customers' demand for power, including but not limited to, changes resulting from the implementation of state and federal energy efficiency and peak demand reduction mandates.

• The ability to accomplish or realize anticipated benefits from strategic and financial goals including, but not limited to, the ability to reduce costs and to successfully complete our announced financial plans designed to improve our credit metrics and strengthen our balance sheet, including but not limited to, proposed capital raising and debt reduction initiatives, the proposed West Virginia asset transfer and potential sale of non-core hydro assets.

Our ability to improve electric commodity margins and the impact of, among other factors, the increased cost of fuel and fuel transportation on such margins.

- The ability to experience growth in the Regulated Distribution segment and to continue to successfully implement our direct retail sales strategy in the Competitive Energy Services segment.

Changing market conditions that could affect the measurement of liabilities and the value of assets held in our NDTs, pension trusts and other trust funds, and cause us and our subsidiaries to make additional contributions sooner, or in amounts that are larger than currently anticipated.

• The impact of changes to material accounting policies.

The ability to access the public securities and other capital and credit markets in accordance with our announced financial plan, the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries.

- Actions that may be taken by credit rating agencies that could negatively affect us and our subsidiaries' access to financing, increase the costs thereof, and increase requirements to post additional collateral to support outstanding commodity positions, LOCs and other financial guarantees.

• Changes in national and regional economic conditions affecting us, our subsidiaries and our major industrial and commercial customers, and other counterparties including fuel suppliers, with which we do business.

• Issues concerning the stability of domestic and foreign financial institutions and counterparties with which we do business.

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•The risks and other factors discussed from time to time in our SEC filings, and other similar factors.

Dividends declared from time to time on FE's common stock during any period may in the aggregate vary from prior periods due to circumstances considered by FE's Board of Directors at the time of the actual declarations. A security rating is not a recommendation to buy or hold securities and is subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

The foregoing review of factors should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on FirstEnergy's business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. The registrants expressly disclaim any current intention to update, except as required by law, any forward-looking statements contained herein as a result of new information, future events or otherwise.

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## GLOSSARY OF TERMS

The following abbreviations and acronyms are used in this report to identify FirstEnergy Corp. and its current and former subsidiaries:

AE	Allegheny Energy, Inc., a Maryland utility holding company that merged with a subsidiary of FirstEnergy on February 25, 2011
AE Supply	Allegheny Energy Supply Company, LLC, an unregulated generation subsidiary of AE
AGC	Allegheny Generating Company, a generation subsidiary of AE Supply
Allegheny	Allegheny Energy, Inc., together with its consolidated subsidiaries
Allegheny Utilities	MP, PE and WP
ATSI	American Transmission Systems, Incorporated, formerly a direct subsidiary of FE that became a subsidiary of FET in April 2012, which owns and operates transmission facilities.
CEI	The Cleveland Electric Illuminating Company, an Ohio electric utility operating subsidiary
FE	FirstEnergy Corp., a public utility holding company
FENOC	FirstEnergy Nuclear Operating Company, which operates nuclear generating facilities
FES	FirstEnergy Solutions Corp., which provides energy-related products and services
FESC	FirstEnergy Service Company, which provides legal, financial and other corporate support services
FET	FirstEnergy Transmission, LLC, formerly known as Allegheny Energy Transmission, LLC, a subsidiary of AE, which is the parent of ATSI and TrAIL and has a joint venture in PATH.
FEV	FirstEnergy Ventures Corp., which invests in certain unregulated enterprises and business ventures
FG	FirstEnergy Generation, LLC, a subsidiary of FES, which owns and operates non-nuclear generating facilities
FirstEnergy	FirstEnergy Corp., together with its consolidated subsidiaries
Global Holding	Global Mining Holding Company, LLC, a joint venture between FEV, WMB Marketing Ventures, LLC and Pinesdale LLC
Global Rail	A subsidiary of Global Holding that owns coal transportation operations near Roundup, Montana
JCP&L	Jersey Central Power & Light Company, a New Jersey electric utility operating subsidiary
ME	Metropolitan Edison Company, a Pennsylvania electric utility operating subsidiary
MP	Monongahela Power Company, a West Virginia electric utility operating subsidiary of AE
NG	FirstEnergy Nuclear Generation, LLC, a subsidiary of FES, which owns nuclear generating facilities
OE	Ohio Edison Company, an Ohio electric utility operating subsidiary
Ohio Companies	CEI, OE and TE
PATH	Potomac-Appalachian Transmission Highline, LLC, a joint venture between Allegheny and a subsidiary of AEP
PATH-Allegheny	PATH Allegheny Transmission Company, LLC
PATH-WV	PATH West Virginia Transmission Company, LLC
PE	The Potomac Edison Company, a Maryland electric utility operating subsidiary of AE
Penn	Pennsylvania Power Company, a Pennsylvania electric utility operating subsidiary of OE
Pennsylvania Companies	ME, PN, Penn and WP
PN	Pennsylvania Electric Company, a Pennsylvania electric utility operating subsidiary
PNBV	PNBV Capital Trust, a special purpose entity created by OE in 1996
Shippingport	Shippingport Capital Trust, a special purpose entity created by CEI and TE in 1997
Signal Peak	An indirect subsidiary of Global Holding that owns mining operations near Roundup, Montana
TE	The Toledo Edison Company, an Ohio electric utility operating subsidiary



TrAIL	Trans-Allegheny Interstate Line Company, a subsidiary of FET, which owns and operates transmission facilities
Utilities	OE, CEI, TE, Penn, JCP&L, ME, PN, MP, PE and WP
WP	West Penn Power Company, a Pennsylvania electric utility operating subsidiary of AE

The following abbreviations and acronyms are used to identify frequently used terms in this report:

AEP	American Electric Power Company, Inc.
AFS	Available-for-sale
ALJ	Administrative Law Judge
Anker WV	Anker West Virginia Mining Company, Inc.
Anker Coal	Anker Coal Group, Inc.
AOCI	Accumulated Other Comprehensive Income
ARO	Asset Retirement Obligation
ARR	Auction Revenue Right

## GLOSSARY OF TERMS, Continued

ASLB	Atomic Safety and Licensing Board
BGS	Basic Generation Service
BTU	British Thermal Units
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CBP	Competitive Bid Process
CCB	Coal Combustion By-products
CCR	Coal Combustion Residuals
CDWR	California Department of Water Resources
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CFR	Code of Federal Regulations
CO <sub>2</sub>	Carbon Dioxide
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
DCR	Delivery Capital Recovery
DOE	United States Department of Energy
DOJ	United States Department of Justice
DSP	Default Service Plan
EDC	Electric Distribution Company
EE&C	Energy Efficiency and Conservation
EGS	Electric Generation Supplier
EIS	Environmental Impact Statement
ELPC	Environmental Law & Policy Center
ENEC	Expanded Net Energy Cost
EPA	United States Environmental Protection Agency
ERO	Electric Reliability Organization
ESP	Electric Security Plan
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings
FMB	First Mortgage Bond
FPA	Federal Power Act
FTR	Financial Transmission Right
GAAP	Accounting Principles Generally Accepted in the United States of America
GHG	Greenhouse Gases
GWH	Gigawatt-hour
HCL	Hydrochloric Acid
ICC	Illinois Commerce Commission
ICE	IntercontinentalExchange, Inc.
ICG	International Coal Group Inc.
ILP	Integrated License Application Process
kV	Kilovolt
KWH	Kilowatt-hour
LAR	License Amendment Request
LBR	Little Blue Run
LCAPP	Long-Term Capacity Agreement Pilot Program
LITE	Local Infrastructure and Transmission Enhancement
LOC	Letter of Credit

LSE	Load Serving Entity
MATS	Mercury and Air Toxics Standards
MDPSC	Maryland Public Service Commission
MISO	Midcontinent Independent System Operator, Inc.

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## GLOSSARY OF TERMS, Continued

mmBTU	One Million British Thermal Units
Moody's	Moody's Investors Service, Inc.
MOPR	Minimum Offer Price Rule
MTEP	MISO Regional Transmission Expansion Plan
MVP	Multi-value Project
MW	Megawatt
MWH	Megawatt-hour
NDT	Nuclear Decommissioning Trust
NERC	North American Electric Reliability Corporation
NJBPU	New Jersey Board of Public Utilities
NMB	Non-Market Based
NNSR	Non-Attainment New Source Review
NOL	Net Operating Loss
NOV	Notice of Violation
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSR	New Source Review
NUG	Non-Utility Generation
NYPSC	New York State Public Service Commission
NYSEG	New York State Electric and Gas
OCC	Ohio Consumers' Counsel
OPEB	Other Post-Employment Benefits
OTTI	Other Than Temporary Impairments
OVEC	Ohio Valley Electric Corporation
PA DEP	Pennsylvania Department of Environmental Protection
PCB	Polychlorinated Biphenyl
PCRB	Pollution Control Revenue Bond
PJM	PJM Interconnection LLC
PI	Performance Indicator
PM	Particulate Matter
POLR	Provider of Last Resort
PPUC	Pennsylvania Public Utility Commission
PSA	Power Supply Agreement
PSD	Prevention of Significant Deterioration
PUCO	Public Utilities Commission of Ohio
PURPA	Public Utility Regulatory Policies Act of 1978
RCRA	Resource Conservation and Recovery Act
REC	Renewable Energy Credit
REIT	Real Estate Investment Trust
RFC	ReliabilityFirst Corporation
RFP	Request for Proposal
RGGI	Regional Greenhouse Gas Initiative
RMR	Reliability Must-Run
RPM	Reliability Pricing Model
RTEP	Regional Transmission Expansion Plan
RTO	Regional Transmission Organization

S&P	Standard & Poor's Ratings Service
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SAMA	Severe Accident Mitigation Alternatives

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GLOSSARY OF TERMS, Continued

SB221	Amended Substitute Senate Bill 221
SBC	Societal Benefits Charge
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan(s) Under the Clean Air Act
SMIP	Smart Meter Implementation Plan
SO <sub>2</sub>	Sulfur Dioxide
SOS	Standard Offer Service
SPE	Special Purpose Entity
SREC	Solar Renewable Energy Credit
SSO	Standard Service Offer
TDS	Total Dissolved Solid
TMI-2	Three Mile Island Unit 2
TSC	Transmission Service Charge
UWUA	Utility Workers Union of America
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission
WVDEP	West Virginia Department of Environmental Protection
WVPSC	Public Service Commission of West Virginia

## PART I. FINANCIAL INFORMATION

## ITEM I. Financial Statements

FIRSTENERGY CORP.  
CONSOLIDATED STATEMENTS OF INCOME (LOSS)  
(Unaudited)

(In millions, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
<b>REVENUES:</b>				
Electric utilities	\$2,221	\$2,323	\$4,609	\$4,863
Unregulated businesses	1,298	1,432	2,639	2,882
Total revenues*	3,519	3,755	7,248	7,745
<b>OPERATING EXPENSES:</b>				
Fuel	628	656	1,258	1,197
Purchased power	862	1,042	1,805	2,301
Other operating expenses	887	921	1,771	1,739
Provision for depreciation	302	285	596	564
Amortization of regulatory assets, net	72	62	131	137
General taxes	241	232	506	504
Impairment of long-lived assets	473	—	473	—
Total operating expenses	3,465	3,198	6,540	6,442
<b>OPERATING INCOME</b>	<b>54</b>	<b>557</b>	<b>708</b>	<b>1,303</b>
<b>OTHER INCOME (EXPENSE):</b>				
Loss on debt redemptions	(24	) —	(141	) —
Investment income (loss)	(15	) 13	3	24
Interest expense	(256	) (274	) (514	) (520
Capitalized interest	19	19	34	36
Total other expense	(276	) (242	) (618	) (460
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(222</b>	<b>) 315</b>	<b>90</b>	<b>843</b>
<b>INCOME TAXES (BENEFITS)</b>	<b>(58</b>	<b>) 127</b>	<b>58</b>	<b>349</b>
<b>NET INCOME (LOSS)</b>	<b>(164</b>	<b>) 188</b>	<b>32</b>	<b>494</b>
Income attributable to noncontrolling interest	—	1	—	1
<b>EARNINGS (LOSSES) AVAILABLE TO FIRSTENERGY CORP.</b>	<b>\$(164</b>	<b>) \$187</b>	<b>\$32</b>	<b>\$493</b>
<b>EARNINGS (LOSSES) PER SHARE OF COMMON STOCK:</b>				
Basic	\$(0.39	) \$0.45	\$0.08	\$1.18

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Diluted	\$ (0.39	) \$ 0.45	\$ 0.08	\$ 1.18
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	418	417	418	418
Diluted	418	419	419	419
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK				
	\$—	\$—	\$0.55	\$0.55

\* Includes excise tax collections of \$107 million in each of the three month periods ended June 30, 2013 and 2012 and \$229 million and \$228 million in the six months ended June 30, 2013 and 2012, respectively.

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.



FIRSTENERGY CORP.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(Unaudited)

(In millions)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
NET INCOME (LOSS)	\$(164	) \$188	\$32	\$494
OTHER COMPREHENSIVE INCOME (LOSS):				
Pensions and OPEB prior service costs	(55	) (48	) (101	) (101
Amortized losses on derivative hedges	1	3	2	1
Change in unrealized gain on available-for-sale securities	(8	) 2	(3	) 12
Other comprehensive loss	(62	) (43	) (102	) (88
Income tax benefits on other comprehensive loss	(24	) (27	) (40	) (51
Other comprehensive loss, net of tax	(38	) (16	) (62	) (37
COMPREHENSIVE INCOME (LOSS)	(202	) 172	(30	) 457
Comprehensive income attributable to noncontrolling interest	—	1	—	1
COMPREHENSIVE INCOME (LOSS) AVAILABLE TO FIRSTENERGY CORP.	\$(202	) \$171	\$(30	) \$456

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY CORP.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

(In millions, except share amounts)	June 30, 2013	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$71	\$172
Receivables-		
Customers, net of allowance for uncollectible accounts of \$40 in 2013 and 2012	1,646	1,614
Other, net of allowance for uncollectible accounts of \$3 in 2013 and \$4 in 2012	277	315
Materials and supplies, at average cost	806	861
Prepaid taxes	288	119
Derivatives	173	160
Accumulated deferred income taxes	51	319
Other	248	208
	3,560	3,768
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
In service	43,888	43,210
Less — Accumulated provision for depreciation	13,027	12,600
	30,861	30,610
Construction work in progress	2,230	2,293
	33,091	32,903
<b>INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	2,178	2,204
Investments in lease obligation bonds	46	54
Other	876	936
	3,100	3,194
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Goodwill	6,447	6,447
Regulatory assets	2,321	2,375
Other	1,638	1,719
	10,406	10,541
	\$50,157	\$50,406
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$1,952	\$1,999
Short-term borrowings	3,254	1,969
Accounts payable	950	1,599
Accrued taxes	338	543
Accrued compensation and benefits	298	331
Derivatives	142	126
Other	599	1,038
	7,533	7,605
<b>CAPITALIZATION:</b>		
Common stockholders' equity-		
Common stock, \$0.10 par value, authorized 490,000,000 shares - 418,216,437 shares outstanding	42	42

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Other paid-in capital	9,744	9,769
Accumulated other comprehensive income	323	385
Retained earnings	2,690	2,888
Total common stockholders' equity	12,799	13,084
Noncontrolling interest	4	9
Total equity	12,803	13,093
Long-term debt and other long-term obligations	15,449	15,179
	28,252	28,272
<b>NONCURRENT LIABILITIES:</b>		
Accumulated deferred income taxes	6,427	6,616
Retirement benefits	3,088	3,080
Asset retirement obligations	1,795	1,599
Deferred gain on sale and leaseback transaction	875	892
Adverse power contract liability	484	506
Other	1,703	1,836
	14,372	14,529
<b>COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 12)</b>		
	\$50,157	\$50,406

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

(In millions)	Six Months Ended June 30	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$32	\$494
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	596	564
Amortization of regulatory assets, net	131	137
Nuclear fuel amortization	98	106
Deferred purchased power and other costs	(39)	(149)
Deferred income taxes and investment tax credits, net	119	423
Impairments of long-lived assets	473	—
Investment impairments	53	7
Deferred rents and lease market valuation liability	(59)	(106)
Stock based compensation	(22)	(18)
Retirement benefits	(104)	(64)
Commodity derivative transactions, net (Note 9)	21	(86)
Pension trust contributions	—	(600)
Cash collateral, net	(42)	22
Loss on debt redemptions	141	—
Make-whole premiums paid on debt redemptions	(61)	—
Decrease (increase) in operating assets-		
Receivables	(125)	(105)
Materials and supplies	42	(109)
Prepayments and other current assets	(185)	(117)
Increase (decrease) in operating liabilities-		
Accounts payable	(329)	(122)
Accrued taxes	(199)	(192)
Accrued interest	2	(5)
Accrued compensation and benefits	(34)	(96)
Other	(16)	78
Net cash provided from operating activities	493	62
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Financing-		
Long-term debt	2,245	182
Short-term borrowings, net	1,285	1,890
Redemptions and Repayments-		
Long-term debt	(1,968)	(746)
Tender premiums paid on debt redemptions	(110)	—
Common stock dividend payments	(460)	(460)
Other	(16)	(35)
Net cash provided from financing activities	976	831
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(1,412)	(911)

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Nuclear fuel	(50	) (90	)
Sales of investment securities held in trusts	1,177	382	
Purchases of investment securities held in trusts	(1,173	) (420	)
Cash investments	(3	) 87	
Asset removal costs	(111	) (36	)
Other	2	(13	)
Net cash used for investing activities	(1,570	) (1,001	)
Net change in cash and cash equivalents	(101	) (108	)
Cash and cash equivalents at beginning of period	172	202	
Cash and cash equivalents at end of period	\$71	\$94	

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY SOLUTIONS CORP.  
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)  
(Unaudited)

(In millions)	Three Months Ended June 30		Six Months Ended June 30		
	2013	2012	2013	2012	
<b>STATEMENTS OF INCOME (LOSS)</b>					
<b>REVENUES:</b>					
Electric sales to non-affiliates	\$1,284	\$1,322	\$2,624	\$2,688	
Electric sales to affiliates	140	107	296	230	
Other	35	27	69	54	
Total revenues	1,459	1,456	2,989	2,972	
<b>OPERATING EXPENSES:</b>					
Fuel	332	380	632	675	
Purchased power from affiliates	137	133	269	250	
Purchased power from non-affiliates	524	434	1,029	921	
Other operating expenses	388	393	768	688	
Provision for depreciation	78	69	154	132	
General taxes	34	32	71	69	
Total operating expenses	1,493	1,441	2,923	2,735	
OPERATING INCOME (LOSS)	(34	) 15	66	237	
<b>OTHER INCOME (EXPENSE):</b>					
Loss on debt redemptions	(32	) —	(103	) —	
Investment income (loss)	(18	) 6	(1	) 12	
Miscellaneous income	6	20	8	24	
Interest expense — affiliates	(5	) (2	) (6	) (4	)
Interest expense — other	(39	) (48	) (91	) (89	)
Capitalized interest	10	9	19	18	
Total other expense	(78	) (15	) (174	) (39	)
INCOME (LOSS) BEFORE INCOME TAXES	(112	) —	(108	) 198	
INCOME TAXES (BENEFITS)	(41	) 1	(39	) 77	
NET INCOME (LOSS)	\$(71	) \$(1	) \$(69	) \$121	
<b>STATEMENTS OF COMPREHENSIVE INCOME (LOSS)</b>					
NET INCOME (LOSS)	\$(71	) \$(1	) \$(69	) \$121	
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>					
Pensions and OPEB prior service costs	(5	) 8	(11	) 3	
Amortized loss (gain) on derivative hedges	(1	) 1	(2	) (4	)
Change in unrealized gain on available-for-sale securities	(8	) 3	(3	) 13	

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Other comprehensive income (loss)	(14	) 12	(16	) 12
Income taxes (benefits) on other comprehensive income (loss)	(5	) 2	(6	) 4
Other comprehensive income (loss), net of tax	(9	) 10	(10	) 8
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$(80</b>	<b>) \$9</b>	<b>\$(79</b>	<b>) \$129</b>

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY SOLUTIONS CORP.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

(In millions, except share amounts)	June 30, 2013	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$2	\$3
Receivables-		
Customers, net of allowance for uncollectible accounts of \$15 in 2013 and \$16 in 2012	541	483
Affiliated companies	435	379
Other, net of allowance for uncollectible accounts of \$3 in 2013 and \$2 in 2012	122	91
Notes receivable from affiliated companies	120	276
Materials and supplies	454	505
Derivatives	170	158
Prepayments and other	129	87
	1,973	1,982
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
In service	12,563	11,997
Less — Accumulated provision for depreciation	4,610	4,408
	7,953	7,589
Construction work in progress	1,016	1,141
	8,969	8,730
<b>INVESTMENTS:</b>		
Nuclear plant decommissioning trusts	1,270	1,283
Other	12	12
	1,282	1,295
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Customer intangibles	103	110
Goodwill	24	24
Property taxes	36	36
Unamortized sale and leaseback costs	164	119
Derivatives	87	99
Other	239	253
	653	641
	\$12,877	\$12,648
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES:</b>		
Currently payable long-term debt	\$859	\$1,102
Short-term borrowings	4	4
Accounts payable-		
Affiliated companies	514	726
Other	256	159
Accrued taxes	40	171
Derivatives	140	124
Other	179	280
	1,992	2,566
<b>CAPITALIZATION:</b>		



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Common stockholder's equity-		
Common stock, without par value, authorized 750 shares- 7 shares outstanding	3,082	1,573
Accumulated other comprehensive income	62	72
Retained earnings	2,049	2,118
Total common stockholder's equity	5,193	3,763
Long-term debt and other long-term obligations	2,180	3,118
	7,373	6,881
NONCURRENT LIABILITIES:		
Deferred gain on sale and leaseback transaction	875	892
Accumulated deferred income taxes	647	515
Asset retirement obligations	1,138	965
Retirement benefits	250	241
Derivatives	35	37
Other	567	551
	3,512	3,201
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 12)		
	\$12,877	\$12,648

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

FIRSTENERGY SOLUTIONS CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

(In millions)	Six Months Ended June 30	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income (Loss)	\$(69	) \$121
Adjustments to reconcile net income to net cash from operating activities-		
Provision for depreciation	154	132
Nuclear fuel amortization	98	103
Deferred rents and lease market valuation liability	(56	) (103
Deferred income taxes and investment tax credits, net	141	162
Investment impairments	45	6
Retirement benefits	(3	) 1
Pension trust contribution	—	(209
Commodity derivative transactions, net (note 9)	22	(53
Cash collateral, net	(3	) 17
Loss on debt redemptions	103	—
Make-whole premiums paid on debt redemptions	(31	) —
Decrease (increase) in operating assets-		
Receivables	(156	) —
Materials and supplies	52	(56
Prepayments and other current assets	(40	) 19
Increase (decrease) in operating liabilities-		
Accounts payable	(104	) 243
Accrued taxes	(131	) (167
Accrued compensation and benefits	3	13
Other	(25	) (10
Net cash provided from operating activities	—	219
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New financing-		
Long-term debt	—	82
Equity contribution from parent	1,500	—
Redemptions and repayments-		
Long-term debt	(1,179	) (140
Tender premiums paid on debt redemptions	(67	) —
Other	(5	) (6
Net cash provided from (used for) financing activities	249	(64
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property additions	(350	) (213
Nuclear fuel	(50	) (90
Proceeds from asset sales	19	17
Sales of investment securities held in trusts	487	109
Purchases of investment securities held in trusts	(515	) (127
Loans to affiliated companies, net	156	155

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Other	3	(6	)	
Net cash used for investing activities	(250	)	(155	)
Net change in cash and cash equivalents	(1	)	—	
Cash and cash equivalents at beginning of period	3	7		
Cash and cash equivalents at end of period	\$2	\$7		

The accompanying Combined Notes to Consolidated Financial Statements are an integral part of these financial statements.

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FIRSTENERGY CORP. AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Unless otherwise indicated, defined terms and abbreviations used herein have the meanings set forth in the accompanying Glossary of Terms.

FE is a diversified energy holding company that holds, directly or indirectly, all of the outstanding common stock of its principal subsidiaries: OE, CEI, TE, Penn (a wholly owned subsidiary of OE), JCP&L, ME, PN, FENOC, AE and its principal subsidiaries (AE Supply, AGC, MP, PE, WP and FET), FES and its principal subsidiaries (FG and NG) and FESC. During the second quarter of 2013, FE completed a \$1.5 billion equity contribution to FES.

These interim financial statements have been prepared pursuant to the rules and regulations of the SEC for Quarterly Reports on Form 10-Q. Certain information and disclosures normally included in financial statements and notes prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These interim financial statements should be read in conjunction with the financial statements and notes included in the combined Annual Report on Form 10-K for the year ended December 31, 2012.

FirstEnergy follows GAAP and complies with the related regulations, orders, policies and practices prescribed by the SEC, FERC, and, as applicable, the PUCO, the PPUC, the MDPSC, the NYPSC, the WVPSC, the VSCC and the NJBPU. The accompanying interim financial statements are unaudited, but reflect all adjustments, consisting of normal recurring adjustments, that, in the opinion of management, are necessary for a fair presentation of the financial statements. The preparation of financial statements in conformity with GAAP requires management to make periodic estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The reported results of operations are not indicative of results of operations for any future period. FE and its subsidiaries have evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

FE and its subsidiaries consolidate all majority-owned subsidiaries over which they exercise control and, when applicable, entities for which they have a controlling financial interest. Intercompany transactions and balances are eliminated in consolidation. FE and its subsidiaries consolidate a VIE when it is determined that it is the primary beneficiary (see Note 7, Variable Interest Entities). Investments in affiliates over which FE and its subsidiaries have the ability to exercise significant influence, but with respect to which they are not the primary beneficiary and do not exercise control, follow the equity method of accounting. Under the equity method, the interest in the entity is reported as an investment in the Consolidated Balance Sheets and the percentage share of the entity's earnings is reported in the Consolidated Statements of Income and Comprehensive Income. These Notes to the Consolidated Financial Statements are combined for FirstEnergy and FES.

Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncements

New accounting pronouncements not yet effective are not expected to have a material effect on the financial statements of FE or its subsidiaries.

2. IMPAIRMENT OF LONG-LIVED ASSETS

FirstEnergy reviews long-lived assets, including regulatory assets, for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The recoverability of a long-lived asset is measured by comparing its carrying value to the sum of undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If the carrying value is greater than the undiscounted cash

flows, an impairment exists and a loss is recognized for the amount by which the carrying value of the long-lived asset exceeds its estimated fair value. FirstEnergy utilizes the income approach, based upon discounted cash flows to estimate fair value.

Generating Plant Retirements - 2013

On July 8, 2013, officers of FirstEnergy and AE Supply committed to deactivating the following generating units by October 9, 2013:

Generating Units	MW Capacity	Location
Hatfield's Ferry, Units 1-3	1,710	Masontown, Pennsylvania
Mitchell, Units 2-3	370	Courtney, Pennsylvania

As a result of this decision, in the second quarter of 2013, FirstEnergy recorded a pre-tax impairment of approximately \$473 million to continuing operations, which also includes pre-tax impairments of \$13 million related to excessive inventory at these facilities. The impairment charge is included within the results of the Competitive Energy Services Segment.

Approximately 380 plant employees and generation related positions are expected to be affected by these plant deactivations. Eligible employees will receive severance benefits in 2013 that are currently estimated to be approximately \$15 million (pre-tax) and were recognized in Other operating expenses in the Consolidated Statements of Income (Loss) in the second quarter of 2013.

Upon termination of operations at Hatfield's Ferry Units 1-3, AE Supply will have the right to redeem \$235 million of its outstanding PCRBs at par.

AE Supply has obligations, such as fuel supply, that could be affected by the plant closings and management is currently unable to reasonably estimate potential costs, or a range thereof, that could be incurred.

#### Generating Plant Retirements - 2012

As of September 1, 2012, Albright, Armstrong, Bay Shore Units 2-4, Eastlake Units 4-5, R. Paul Smith, Rivesville and Willow Island have been deactivated. On April 25, 2012, PJM concluded its initial analysis of the reliability impacts from the previously announced plant deactivations and requested RMR arrangements for Eastlake Units 1-3, Ashtabula Unit 5 and Lake Shore Unit 18 through the spring of 2015. During the three months and six months ended June 30, 2012, FirstEnergy recognized pre-tax severance expense of approximately \$10 million (\$6 million by FES) and \$17 million (\$10 million by FES), respectively, as a result of the deactivations. These costs are included in Other operating expenses in the Consolidated Statements of Income (Loss).

#### Cost Savings Initiatives

In addition to deactivating Hatfield's Ferry and Mitchell, FirstEnergy has identified and intends to implement additional cost control opportunities across the organization. These actions include reductions to medical and other employee benefits and other organizational changes, including a reduction in staffing of an additional 250 positions. FirstEnergy did not recognize any costs in the second quarter of 2013 associated with these actions as final plans were not completed. FirstEnergy expects to incur approximately \$3 million (pre-tax) of severance related expenses in the third quarter of 2013.

### 3. EARNINGS PER SHARE OF COMMON STOCK

Basic earnings per share of common stock are computed using the weighted average number of common shares outstanding during the relevant period as the denominator. The denominator for diluted earnings per share of common stock reflects the weighted average of common shares outstanding plus the potential additional common shares that could result if dilutive securities and other agreements to issue common stock were exercised.

The following table reconciles basic and diluted earnings per share of common stock:

	Three Months Ended		Six Months Ended June	
	June 30	June 30	June 30	June 30
Reconciliation of Basic and Diluted Earnings per Share of Common Stock	2013	2012	2013	2012
	(In millions, except per share amounts)			
Weighted average number of basic shares outstanding	418	417	418	418
Assumed exercise of dilutive stock options and awards <sup>(1)</sup>	—	2	1	1
Weighted average number of diluted shares outstanding	418	419	419	419
Earnings (Losses) Available to FirstEnergy Corp.	\$(164	) \$187	\$32	\$493

Basic earnings (losses) per share of common stock	\$ (0.39	)	\$ 0.45	\$ 0.08	\$ 1.18
Diluted earnings (losses) per share of common stock	\$ (0.39	)	\$ 0.45	\$ 0.08	\$ 1.18

For the three months ended June 30, 2013, 1 million shares were excluded from the calculation of diluted shares outstanding, as a net loss was incurred and the inclusion of any other potential shares outstanding would be (1) antidilutive. The number of potentially dilutive securities not included in the calculation of diluted shares outstanding due to their antidilutive effect were not significant for the three months ended June 30, 2012 and six months ended June 30, 2013 and 2012.



## 4. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The components of the consolidated net periodic cost for pensions and OPEB (including amounts capitalized) were as follows:

Components of Net Periodic Benefit Costs (Credits) For the Three Months Ended June 30,	Pensions		OPEB	
	2013	2012	2013	2012
	(In millions)			
Service costs	\$49	\$40	\$3	\$3
Interest costs	93	97	9	12
Expected return on plan assets	(125	) (121	) (8	) (9
Amortization of prior service costs (credits)	3	3	(58	) (51
Net periodic costs (credits)	\$20	\$19	\$(54	) \$(45

  

Components of Net Periodic Benefit Costs (Credits) For the Six Months Ended June 30,	Pensions		OPEB	
	2013	2012	2013	2012
	(In millions)			
Service costs	\$98	\$80	\$6	\$6
Interest costs	186	194	18	24
Expected return on plan assets	(250	) (242	) (16	) (18
Amortization of prior service costs (credits)	6	6	(107	) (102
Net periodic costs (credits)	\$40	\$38	\$(99	) \$(90

Pension and OPEB obligations are allocated to FE's subsidiaries employing the plan participants. The net periodic pension and OPEB costs (net of amounts capitalized) recognized in earnings by FE and FES were as follows:

Net Periodic Benefit Expense (Credit) For the Three Months Ended June 30,	Pensions		OPEB	
	2013	2012	2013	2012
	(In millions)			
FirstEnergy	\$14	\$14	\$(34	) \$(32
FES	5	5	(5	) (4

  

Net Periodic Benefit Expense (Credit) For the Six Months Ended June 30,	Pensions		OPEB	
	2013	2012	2013	2012
	(In millions)			
FirstEnergy	\$25	\$27	\$(64	) \$(62
FES	8	8	(8	) (8

## 5. ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in AOCI, net of tax, in the three and six months ended June 30, 2013 and 2012, for FirstEnergy and FES are shown in the following tables:

## FirstEnergy

	Gains & Losses on Cash Flow Hedges	Unrealized Gains on AFS Securities	Defined Benefit Pension & OPEB Plans	Total
	(In millions)			
AOCI Balance as of April 1, 2013	\$(37	) \$18	\$380	\$361
Other comprehensive loss before reclassifications	—	(1	) —	(1
Amounts reclassified from AOCI	—	(4	) (33	) (37
Net other comprehensive loss	—	(5	) (33	) (38
AOCI Balance as of June 30, 2013	\$(37	) \$13	\$347	\$323
AOCI Balance as of April 1, 2012	\$(42	) \$25	\$422	\$405
Other comprehensive income before reclassifications	1	4	—	5
Amounts reclassified from AOCI	2	(2	) (21	) (21
Net other comprehensive income (loss)	3	2	(21	) (16
AOCI Balance as of June 30, 2012	\$(39	) \$27	\$401	\$389

## FES

	Gains & Losses on Cash Flow Hedges	Unrealized Gains on AFS Securities	Defined Benefit Pension & OPEB Plans	Total
	(In millions)			
AOCI Balance as of April 1, 2013	\$2	\$17	\$52	\$71
Other comprehensive loss before reclassifications	—	(1	) —	(1
Amounts reclassified from AOCI	(1	) (4	) (3	) (8
Net other comprehensive loss	(1	) (5	) (3	) (9
AOCI Balance as of June 30, 2013	\$1	\$12	\$49	\$62
AOCI Balance as of April 1, 2012	\$4	\$22	\$48	\$74
Other comprehensive income before reclassifications	1	4	8	13
Amounts reclassified from AOCI	1	(1	) (3	) (3
Net other comprehensive income	2	3	5	10
AOCI Balance as of June 30, 2012	\$6	\$25	\$53	\$84



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FirstEnergy

	Gains & Losses on Cash Flow Hedges	Unrealized Gains on AFS Securities	Defined Benefit Pension & OPEB Plans	Total
	(In millions)			
AOCI Balance as of January 1, 2013	\$(38	) \$15	\$408	\$385
Other comprehensive income before reclassifications	—	14	—	14
Amounts reclassified from AOCI	1	(16	) (61	) (76
Net other comprehensive income (loss)	1	(2	) (61	) (62